



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: SERO Policy

August 26, 2005

Subject: Policy Memorandum 225.06-46: Simplified Summer Food Program - Questions and Answers

To: All State Directors

Summer Food Service Program (SFSP)
Southeast Region

Attached is guidance for the Simplified Summer Food Program for State agencies administering the Program. For Fiscal Year (FY) 2005, only Mississippi and Kentucky are eligible to participate in this Program in the Southeast Region. However, since other States may be added to the list in future years, we are issuing this guidance as a policy memorandum to be filed in the Southeast Region Office (SERO) numbered policy system.

If you have any questions, please contact this office.

PEGGY FOUTS
Regional Director
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Attachment

Ref: Issued by CND, 06/19/05, Transmittal of Guidance on the Simplified Summer Food Program

Questions and Answers on the Simplified Summer Food Program

Basics of the Simplified Summer Food Program

1. What is the Simplified Summer Food Program?

The Simplified Summer Food Program (SSFP) is a variation of the Summer Food Service Program (SFSP) that Congress approved in the Child Nutrition and WIC Reauthorization Act of 2004 for eligible States that qualify based on a statutory formula. (Eligible States have lower than average participation rates in the SFSP). The SSFP grew out of an earlier pilot project, commonly known as the Lugar Pilot, which operated from FY 2001 – 2004 in 14 States. It is described in section 18(f) of the Richard B. Russell National School Lunch Act.

2. Which States are eligible?

Twenty States qualified to participate in this simplified version of the SFSP beginning in 2005, the original 14 from the Lugar Pilot and six new States. The States (new States are bolded) include:

- | | |
|---------------------|------------------------|
| 1. Alaska | 11. Mississippi |
| 2. Arkansas | 12. Nebraska |
| 3. Colorado | 13. New Hampshire |
| 4. Idaho | 14. North Dakota |
| 5. Indiana | 15. Ohio |
| 6. Iowa | 16. Oklahoma |
| 7. Kansas | 17. Oregon |
| 8. Kentucky | 18. Puerto Rico |
| 9. Louisiana | 19. Texas |
| 10. Michigan | 20. Wyoming |

3. May all SFSP sponsors in these States participate under simplified procedures?

Yes. This is a change from the Lugar Pilot that excluded most private nonprofit organization sponsors from participation.

4. What is the purpose of the Simplified Summer Food Program?

The purpose is to encourage organizations to provide meals to children in States that traditionally have had lower than average participation in summer feeding programs. Under simplified procedures, sponsoring organizations do not have to report costs in order to receive reimbursement, nor are they limited to using administrative funds strictly for administrative costs and “food money” for meal service related operational costs.

By reducing reporting requirements, ensuring the maximum level of per meal reimbursement and providing greater flexibility in the use of Program funds, more organizations may choose to participate or to expand current operations to reach more children.

5. How does the Simplified Summer Food Program work?

Under simplified procedures, SFSP sponsors in the eligible States receive the maximum amount of operating and administrative reimbursements (meal time rates) without regard to their actual or budgeted costs. This makes them exempt from the cost comparison requirements in the SFSP regulations at 7 CFR 225.9(d) (7) and (d) (8). In addition, sponsors operating under simplified procedures may combine their operating and administrative reimbursements to pay for any allowable program cost.

Application Requirements

6. How do sponsors in the eligible States apply to participate in this simplified version of the SFSP?

Sponsors in eligible States must apply each year to participate just as they would under the regular SFSP.

7. Do sponsors have to submit budgets under simplified procedures?

Yes, all sponsors must continue to submit budgets with their applications, except experienced school food authorities that their State agencies have exempted. State agencies should evaluate the budget as part of the process in determining whether the applicant has the administrative capability to operate the program successfully.

8. What is the exception for experienced School Food Authority (SFA) sponsors?

State agencies may exempt SFA sponsors that participated successfully in the SFSP last year from the annual budget submission requirement. However, school sponsors that do not meet these criteria must submit an annual budget, including:

- First year school sponsors,
- Returning school sponsors with a break in participation of one or more years, and
- School sponsors with documented serious problems in managing the SFSP.

9. Did the budget submission requirement for school sponsors change?

Yes. Under the Lugar Pilot, we exempted all school sponsors from the budget submission requirements as long as they were experienced in operating the National School Lunch Program (NSLP). We changed this policy to underscore the importance of the budget review process and the differences in the operation of the SFSP and the NSLP, especially for new sponsors or those that had operational problems last year.

10. Are there any drawbacks for experienced school sponsors in not submitting an annual budget?

School sponsors that are exempted from submitting a budget will not have the advantage of State agency budget review to determine the allowability of planned expenditures. Unallowable costs that would be identified during the budget/budget amendment process will go undetected by the State agency until a review and/or audit is conducted. For this reason, States that elect to waive the budget requirement for experienced school sponsors should emphasize the importance of using funds only for allowable costs. States should remind these sponsors of their liability with regard to any costs that are subsequently determined to be unallowable.

Reporting and Recordkeeping Requirements**11. Do sponsors have to maintain separate accounts and records of administrative and operating costs?**

No.

12. Do sponsors have to report their costs to the State agency at any time?

Under simplified procedures, sponsors do not have to report their costs in order to receive reimbursement. However, sponsors must continue to maintain records of their costs and make them available for review or audit.

13. What cost records must be maintained under the simplified procedures?

All records of expenditures must be kept.

14. Does the operation of other child nutrition programs affect a sponsor's documentation of SFSP costs under the simplified procedures?

All sponsors must maintain documentation of a nonprofit food service. School sponsors and other sponsors that operate multiple Child Nutrition Programs (CNP) on a year-round basis do not need to maintain a separate nonprofit food service for the SFSP. SFSP reimbursements and expenditures can be included in a single nonprofit food service account with funds from any other CNP authorized under the Richard B. Russell National School Lunch Act or the Child Nutrition Act of 1966, except for the WIC Program.

15. To what extent do sponsors have to track costs vs. rates?

SFSP sponsors operating under simplified procedures do not have to consolidate costs by category type (operating or administrative). However, they should be aware of their costs in each category and take action to improve the meal service or other aspects of the food program if their operating costs are less than their anticipated reimbursement.

Use of Program Funds**16. If a sponsor's operating costs are lower than the reimbursement received, can the sponsor use the extra operating funds for administrative costs?**

Yes, the operating and administrative reimbursements may be used to pay for any allowable program cost. However, the sponsor must maintain a nonprofit food service and must ensure that benefits to children are not diminished.

17. Can the sponsor use excess operating funds for other CN programs?

Yes, as long as the funds are only used to support a nonprofit food service. Most importantly, the sponsor must ensure that SFSP benefits to children and the quality of SFSP program administration are not diminished. Please refer to Q&A 14 for more information on other CN programs.

18. Are there any limitations on how sponsors use the reimbursement that exceeds their costs?

There are no limitations as long as the funds are spent on allowable costs related to the SFSP, as described in FNS Instruction 796-4, Rev. 4. Excess funds should be used in the following ways, which are listed in order of importance:

1. Improve the meal service or other aspects of the summer food program,
2. Keep the excess funds for next year's SFSP operations, or
3. Pay for allowable costs of other CN Programs.

19. Do sponsors without year-round CN programs have to return unused SFSP funds at the end of the fiscal year?

No, sponsors are not obligated to return unused funds. However, organizations that expect to sponsor the program next year should maintain any excess funds at the end of the summer for next year's SFSP operations.

Maintaining the nonprofit food service account**20. How does a sponsor ensure that the food service is nonprofit?**

The sponsor must maintain documentation of all revenues received and expenses paid from the account. Since only allowable costs may be funded from the nonprofit food service account, these costs must be necessary, reasonable, and properly documented. The determination that the food service account is nonprofit does not result from simply comparing costs and rates. Rather, it requires a determination that all costs charged to the account were allowable and that all funds accruing to the account were properly identified and recorded as nonprofit food service revenue.

21. How is program income accounted for under simplified procedures?

A sponsor must continue to account for any income that accrues to the program, but the income will not be deducted from the combined operating and administrative costs to determine the amount of reimbursement the sponsor is entitled to receive.

State agency monitoring**22. How should State agencies review sponsors operating under simplified procedures?**

During a sponsor review, the State agency should determine whether:

- The sponsor is providing a nutritious, high quality food service that uses program resources effectively,
- Costs are allowable and consistent with FNS Instruction 796-4, Rev. 4,
- Operating and/or administrative expenditures show a pattern of unusual or unexplained increase when compared to the previous year's expenditures, the expenditures of comparable sponsors, or budgeted costs, and
- The level of administrative spending is affecting the sponsor's ability to operate a nonprofit food service and provide a quality food service.

23. Clarify the State's responsibility for tracking food costs to ensure that the sponsor is maintaining a nonprofit food service account. What might trigger this level of scrutiny?

States are responsible for monitoring a sponsor's use of funds during reviews and whenever questions arise about whether the sponsor is maintaining a nonprofit food service. Triggers for increased monitoring of food costs would include:

- Poor food quality
- High ratio of "administrative" to "operational" costs
- Significant alternative funding for food and other operational costs
- Significant supply of donated food or very low cost food

24. Are State agencies expected to add up a sponsor's actual costs during a review?

Not unless there are indications that the sponsor has not been managing program funds well. State agencies should encourage sponsors to maintain cost documentation in a manner that will facilitate review of actual costs should it be necessary to resolve questions about how the sponsor is using program funds.

25. Rather than assess a claim and demand repayment for unallowable costs, could the State simply require the sponsor to restore the amount in question to the nonprofit food service account?

Although the State agency should always assess a claim for improperly spent funds, the State may require the sponsor to restore the funds back into the nonprofit food service account.

26. How can State agencies help ensure that sponsors participating under simplified procedures continue to offer quality meal services?

State agencies should work with sponsors as noted below to ensure that sponsors do not reduce the meal service quality through poor management of program resources.

- Application – Except for experienced SFAs, State agencies must review the budget submitted with the sponsor's application prior to the start of program operations, to determine whether the sponsor has planned to provide a quality meal service for the children. For returning sponsors, the State should compare planned expenditures to the previous year's budget. For new sponsors, the State agency could compare its proposed budget to those of other sponsors comparable in size, location, and type of organization.
- Training – During annual sponsor training, State agencies should discuss the importance of careful planning and management of resources in order to provide quality meal services. This would be especially helpful to sponsors participating under simplified procedures for the first time (e.g., private nonprofit sponsors and all sponsors in the six new States).
- Monitoring – The State agency should monitor meal quality, using comparisons to the sponsor's efforts in previous years or comparisons to other sponsors operating in a similar environment. If the quality appears to have diminished or is poor, the State may require sponsors to amend their budget to ensure that adequate resources are dedicated to providing a quality meal service. If the sponsor is operating a program with poor quality service and is operating below the reimbursement level, the State should thoroughly investigate the situation. If the sponsor has spent SFSP funds on unallowable costs, the State should assess a claim against the sponsor for the amount of funds spent inappropriately. Another alternative would be to require the sponsor to restore the amount in question to the nonprofit food service account.

27. What can be done to deter mismanagement of program funds?

The State agency should use the same procedures for managing sponsor performance in the simplified summer program that it would use in the traditional SFSP. These procedures include careful screening of applications, thorough training, and diligent monitoring of both new and returning sponsors. Additionally:

- For SFA sponsors, the State agency should explain that simplified summer program reimbursement funds are part of the SFA's nonprofit food service account that are subject to the same expenditure requirements.
- For other sponsors, the State agency should use the budget review process to evaluate whether these sponsors will have funds remaining after all allowable costs have been paid. When the State agency anticipates that the sponsor will have remaining funds, the State agency can ask the sponsor to provide a written explanation of how these funds will be used.
- For sponsors operating other child nutrition programs, the State agency should recommend that the sponsors apply any remaining SFSP funds to these programs.
- For sponsors that do not operate other CNPs, but do plan to operate the SFSP in future years, the State agency should strongly encourage the sponsors to retain the remaining funds for future SFSP use.

The State agency should carefully review the budget of any returning sponsor that did not retain the previous year's remaining funds or did not apply the funds to other CNPs it operates. The State agency should evaluate whether the sponsor will operate a high quality summer program in the current year. During monitoring visits, the State agency should include an assessment of the sponsor's budget and actual expenditures to determine if the sponsor will have unspent funds that can be used to improve its current summer program operations.

Closeout of sponsor operations

28. Should State agencies require sponsors to provide a year-end statement of costs?

As a general practice, No. However, a State agency could require a year-end statement as a corrective action for problems noted during a sponsor review.

29. If an organization decides not to sponsor the program in the future, should there be a closeout review of that sponsor to ensure that any unused SFSP funds are returned to FNS via the State agency?

It is important to remember that under the simplified procedures, unused SFSP funds are not returned to the State agency unless unallowable meals were claimed. State agencies are always permitted to conduct closeout audits or reviews, and FNS encourages this oversight activity, particularly when the State agency has questions about how the sponsor operated the program. Consistent with the Department's regulation on audits, 7 CFR Part 3052, the State agency would be required to pay for an audit.

Although no funds would be recovered if unallowable costs are identified during a closeout review or audit, the State agency should follow appropriate audit resolution procedures. For example, when the sponsor will not operate the SFSP in the future but currently operates another CNP, the sponsor would be required to restore misspent SFSP funds to its nonprofit food service account. In cases where the organization does not intend to participate in the SFSP in the future and does not currently participate in any other CNP, the State agency should notify the sponsor of the findings and retain documentation of the findings on file. If the organization applies for participation in any CNP in the future, the State agency should ensure the organization has proper controls in place to prevent a recurrence of the improper expenditures of nonprofit food service account funds.